

# EXHIBIT 2



# THE WALL STREET JOURNAL. ONLINE

January 3, 2007

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## Abbott Laboratories' Norvir Plan

January 3, 2007

*In this Sept. 12, 2003, email, Jesus Leal, then an executive at Abbott Laboratories, addresses a colleague about pricing of an Abbott AIDS drug, Norvir. The drug is paired in treatment regimens with drugs made by Abbott's rivals. Abbott at the time was hoping to increase sales of Kaletra, its flagship AIDS drug. Mr. Leal offers two ways of increasing Norvir's price as a way of making the rival drug regimens more expensive and making patients turn to Kaletra. He concludes by recommending another approach: removing Norvir capsules from the U.S. market and forcing patients who need Norvir to drink a foul-tasting liquid form of the drug. Below that, see excerpts from an internal slide presentation about the company's plan to communicate the Norvir price change.*

*Italics indicate editors' notes.*

**From:** Jesus Leal

**Subject:** Pricing/capsule withdrawal

**Sent:** 9/12/2003 9:03 a.m.

As promised, below are some more thoughts to help you with the messaging. Please don't be stunned by the outcome of the thought process because although it is a continuation of yesterday's conversation, the conclusion is quite different. What I have tried to do is to outline a straightforward strategy, the elements of the announcement without intertwining a convoluted story that won't hold up to scrutiny by the press or the public and identify glaring weaknesses.

### Option 1: Price Increase A

#### Strategy: One price policy for Abbott protease inhibitors

Announce free/reduced cost Norvir liquid for patients on Norvir as of October 31st.

Announce price increase of Norvir capsules for all new patients to the price of daily Kaletra. Offer patients the choice to continue taking the capsules at the new price.

*[Next, Mr. Leal outlines a public-relations defense of a price hike: Abbott originally planned to sell Norvir in a more-expensive 1200-milligram dose but ended up mostly selling the cheaper 100-milligram dose.]*

Announce that Norvir dosing has decreased from 1200 mg/day to 100mg/day (for most new RXs), a 92% reduction in the daily volume required for patients.

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**Rationale:** The introductory dose of Norvir was 1200mg/day. Most new prescriptions for Norvir are currently written for 100mg. It is no longer feasible for Abbott to provide a production line of Norvir capsules at the current price.

**Weakness:** Exposure on price if forced to open books.

**Option 2: Price Increase B** *[This is similar to Mr. Leal's first option except it would give more consideration to existing patients by allowing them to continue to buy Norvir at the old, lower price.]*

**Strategy: One price policy for Abbott protease inhibitors**

Announce a stockpile of Norvir capsules at the old price to be held for all patients on Norvir capsules as of October 31st.

Increase the price of Norvir for all new patients to the price of daily Kaletra.

**Rationale:** The introductory dose of Norvir was 1200mg/day. Most new prescriptions for Norvir are currently written for 100mg. It is no longer feasible for Abbott to provide a production line of Norvir capsules at the current price.

**Weakness:** Exposure on price if forced to open books.

**Option 3: Withdrawal of Norvir Capsules**

Announce a stockpile of Norvir capsules at the old price to be held for all patients on Norvir capsules as of October 31st. Patients would register with a central specialty pharmacy and will be able to continue their Norvir without interruption.

Announce the withdrawal of Norvir capsules.

Announce a reformulation campaign for lopinavir/ritonavir combination. *[This refers to a new formulation of Kaletra that Abbott later introduced.]*

Announce the continued availability of Norvir solution. Announce a new lower price for Norvir solution (equal to the price increase of Kaletra)

Announce that Norvir dosing has decreased from 1200mg/day to 100mg/day (for most new RXs), a 92% reduction in the daily volume required for patients.

**Rationale:** The introductory dose of Norvir was 1200mg/day. Most new prescriptions for Norvir are currently written for 100mg. It is no longer feasible for Abbott to continue manufacturing Norvir capsules.

**Weakness:** The only weakness is an outcry that would be fueled by other major pharma companies that introduce new compounds that need boosting to be as effective as Kaletra. We should be able to expose their motivation.

...[Y]ou know that when I joined this discussion, I was in the camp of a price increase. As I wrote this email, I became convinced that Option 3 may be the best course for Abbott to follow. It will:

1. Provide capsules for all current patients
2. We can provide price protection for all patients currently on Norvir capsules
3. Minimize any federal investigations regarding price increases in the US
4. It will significantly level the competitive playing field regarding convenience

The third and fourth points are the convincing points for me. there is no way that we can continue to provide the products and services to the HIV community if we continue to trade a prescription of Kaletra for a prescription of Norvir at 100mg. If we were to allow this to continue to occur, both Abbott and the HIV community would suffer from our inability to provide the level of support that they have been accustomed to.

If BMS [*Bristol-Myers Squibb, maker of a rival AIDS drug taken with Norvir*] were serious about the community, immediately after this announcement, they should offer to purchase Norvir capsules from us at the price point needed for them to secure supply.

\* \* \*

*Excerpts from an internal Abbott Laboratories slide presentation titled "HIV Communications Plan," dated Sept. 24, 2003:*

#### **Considerations for Strategic Pathways**

##### **Re-pricing Norvir 4x-6x current price**

##### **Pro**

- Position Kaletra as more economical option for boosted ARV [*anti-retroviral*] therapy
- Ensure access to all Abbott ARVs
- Potential for increased market share for Kaletra
- Patients not harmed, as nearly all are covered by private insurance (fixed co-pay), Medicaid and ADAP [*AIDS drug assistance programs*]
- May restrict formulary access to Norvir

##### **Con**

- Lack of perceived value for ritonavir [*Norvir*] relative to new price
- Damages goodwill efforts toward responsible pricing, ADAP support and Global Care Initiatives
- Backlash from advocacy community, legislators, physicians
- Fuels perception regarding lack of Abbott commitment to HIV
- Tarnish [*CEO*] Miles [*White's*] debut as PhRMA [*Pharmaceutical Research and Manufacturers of America*] chair and impact on global perception of pharmaceutical industry
- Position as big, bad, greedy pharmaceutical company
- U.S. price premium puts drug at higher risk for re-importation

##### **Assumptions/Considerations**

- ADAP freeze extends through June '04; consider extension as goodwill gesture
- Price increase is specific to U.S. market

##### **Withdrawal Scenario #1**

Phase-down withdrawal of SEC [*soft-elastic*] capsules in U.S., transition to liquid. Commitment of capsules to philanthropic efforts in Africa.

**Pro**

- Maintain only convenient boosted PI [*protease inhibitor*] regimen option in U.S. through liquid availability
- Indirectly removes pricing from public debate

**Con**

- Limits therapeutic options for patients
- Contradictory approach with capsules remaining on ex-U.S. market [*market outside the U.S.*]
- Balance of philanthropic donation will not offset U.S. volumes
- Production capacity of Norvir correlated to Kaletra
- Philanthropic donations in AIDS to developing nations have high media appeal
- Perception of providing inferior product to Africa, as Norvir not used as stand-alone PI-based regimen
- Heavy upfront burden to re-educate physicians/patients; sales force-educating vs detailing
- Burden for LDC [*least-developed countries*] access shifting from industry to governments; no expectation for significant donation, leading to question why?
- Perception regarding lack of Abbott commitment to HIV patients in U.S.

**Withdrawal Scenario #2**

Phase-out of TPM [*third-party*] manufacturing and SEC form of Abbott HIV drugs. Phase 1 – Removal of Norvir capsules; Phase 2 – Conversion of Kaletra to Meltrex [*an easier-to-use formulation of Kaletra that Abbott later introduced*]

**Pro**

- Maintain only convenient boosted PI-regimen
- Meltrex provides improved convenience option for patients
- Removes pricing from public debate
- Portability, storage, taste of liquid inconvenient
- Lower risk of re-importation

**Con**

- Limits therapeutic options for patients
- Kaletra-Meltrex good news for patients offset by Norvir capsule withdrawal
- Questions surrounding why Norvir is not being developed in Meltrex formulation
- Ability to execute globally may be denied by regulatory agencies; consistency in phasing out of SEC may not be global; Zemplar and atrasentan SEC to follow. [*referring to other capsules Abbott made or planned to make; FDA subsequently declined to approve atrasentan, a prostate-cancer drug*]
- Ex-U.S. regulatory agencies may invoke compulsory license
- Production of ritonavir is correlated to Kaletra
- Heavy upfront burden to re-educate physicians/patients; Exchanges sales force time from selling to education
- Reinforces perception that Abbott is not committed to HIV; Damage to corporate reputation
- Competitors use simplicity of dosing to show consumer that low-dose liquid is workable

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Page 5 of 5

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